



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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ARIZONA SECURITIES DEALER SANCTIONED FOR FAILING TO SUPERVISE SALESMAN

PHOENIX, AZ/April 13, 1998- The Arizona Corporation Commission issued an Order against Merit Capital Associates, Inc., a Connecticut based registered securities dealer in the State of Arizona, finding that it allowed two of its unregistered salesmen to offer and sell securities to Arizona investors. The Commission ordered Merit to pay an administrative penalty of \$5,000. Additionally, Merit was ordered to "Cease and Desist" from further violations of the Securities Act.

The Commission's order found that between September 1, 1995 and October 30, 1997, two of Merit's salesmen were unregistered, offered and sold securities to forty Arizona investors, and that Merit failed to reasonably supervise its salesmen.

Therefore, in addition to the penalty and "cease and desist" orders, the Commission also ordered Merit to conduct an on-site inspection and examination of its two Arizona offices within sixty (60) days to determine if they are in compliance with the Arizona Securities Act. These inspections are mandated twice a year through 1999. Reports must be filed with the Division.

The Division further ordered that within thirty (30) days Merit will implement a supervisory system, satisfactory to the Division, designed to document the activities of their salesmen and to prevent further unregistered violations.

"The Division is committed to protecting Arizona investors by ensuring that securities dealers comply with the requirements of the Arizona Securities Act," said Michael G. Burton, Sr., Director of the Commission's Securities Division. Commissioner Renz Jennings also emphasized that "the Commission intends to see that dealers meet their obligation to reasonably supervise their salesmen by establishing and maintaining written procedures and to effectively enforce those procedures."

The Division urges the public to inquire as to the registration status of both the securities product and the securities salesmen before investing. The Division may be contacted at (602) 542-4242, by facsimile at (602) 594-7470 or by E-mail at accsec@ccsd.cc.state.az.us.